

PRIME ADVOCATES

Prime Advocates Limited, Ground Floor, 55 Gee Street, London EC1V 3RS | primeadvocates.com | info@primeadvocates.com | 020 3665 6157

To the Board of Directors of
Federated Hermes Limited
(International business of Federated Hermes)
150 Cheapside
London
EC2V 6ET

Date: 17 February 2023

Independent Assurance Report

We have undertaken a limited assurance engagement (the “**Assurance**”) on the information disclosed as part of the sustainability reporting of Federated Hermes Limited [the international business of Federated Hermes] (the “**Firm**” or “**FHL**”) in the period from June 2021 to July 2022. The limited assurance engagement related only to FHL’s stewardship and ESG integration (“**S-ESG Integration**”) within its public equity, public credit, real estate* and infrastructure** investment portfolios. The full form of the assurance report has been presented to FHL.

Assurance Summary: S-ESG Integration

Overall: Meets/Exceeds ✓ ◆	Scope of conceptual stewardship & ESG application	Processes, procedures and implementation
Equity (listed)	◆	✓ / ◆
Credit (listed)	◆	✓ / ◆
Real Estate	◆	◆
Infrastructure	✓ / ◆	✓

✗ Fail ✓ Meet ◆ Exceed

Selected subject matter for stewardship & ESG assurance:

- The scope of FHL stewardship & ESG integration (including EOS engagement) policies and procedures.
- FHL (including EOS engagement) policies and procedures, systems and controls regarding FHL S-ESG Integration implementation.
- Representations and assertions in FHL reports and financial statements about ESG matters.
- Compliance with regulatory requirements and best practice standards.

- Internal systems, controls and processes for ESG integration.
- ESG and engagement outputs and reasonable verification.

Assurance criteria

The assurance criteria we used were divided into the three categories:

- i) compliance with applicable ESG regulatory requirements, including but not limited to the EU Sustainable Finance Disclosure Regulation, EU Shareholder Rights Directive II, the UK Stewardship Code 2020, Alternative Investment Fund Managers' Directive amendment EU 231/2103 and the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013;
- ii) adherence to leading voluntary codes of practice identified by Prime Advocates, such as the UN Principles for Responsible Investment (PRI), the Task Force on Climate-Related Financial Disclosures, UN Global Compact, the Global Reporting Initiative and the Global Real Estate Sustainability Benchmark, Better Building Partnership Climate Change Commitment, UK Green Building Council Net Zero Framework etc.; and
- iii) assessment criteria derived from our own proprietary ESG methodology.

The criteria used to evaluate and assure the subject matter mirror FHL's methodology, were designed for the sole purpose of carrying out an effective Assurance engagement of Federated Hermes Limited and may therefore not be suitable for any other purpose.

Key assurance procedures:

- Review of the key documentation related to the subject matter detailed above to determine if FHL fails, matches or exceeds S-ESG Integration regulatory requirements and best practice;
- Assessment of the adequacy of ESG processes, procedures and oversight at a theoretical level;
- Review of the documentation of the systems and processes for compiling, analysing, and aggregating sustainability data and testing such documentation on a sample basis;
- Review of material and proportionally aligned ESG topics to the FHL relevant portfolios, against key issues raised in stakeholder dialogues, areas of performance covered in external diligence media reports and best practice sustainability reports;
- Interviews with senior management and other professionals regarding the firm's sustainability strategy;
- Interviews with professionals responsible for implementing the firm's stewardship and ESG integration and developing and updating its systems for measuring and monitoring ESG data [e.g., Carbon Intelligence, EOS engager questionnaires and interviews];
- Assessment of the implementation of stewardship and ESG processes, procedures and oversight;
- Assessment of the risks of material misstatements in the subject matter with regard to the applicable criteria;
- Composition of independent conclusions based on the results of our assessment; and
- Presentation of the report to the Directors of Federated Hermes Limited.

Limitations of the engagement

Our engagement was limited to the information presented related to the S-ESG Integration for FHL's portfolio investments in public equity, public credit, real estate & infrastructure, as listed above. We have not assessed the following ESG information disclosed by FHL and such data is outside of scope for the Assurance:

- FHL Responsible Firm data (e.g. ESG factors re: employee rewards, remuneration, diversity and inclusion, FHL responsible pledge);

- Sectors related to REITS, private equity, private debt and PE multi asset classes;
- Client Mandates with specific policies relevant to FHL fund offerings and stewardship services
- Federated Hermes Impact Opportunities Fund's optimised impact criteria; and
- EOS/ FHL stewardship services other than in connection with engagement services applied for FHL's ESG integration across its investments.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in scope than for, a full reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an unlimited reasonable assurance engagement. We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Responsibility of management

The management of FHL is responsible for the preparation of presented ESG data in accordance with the applicable criteria. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the ESG data/ reports/ statements that is free from material misstatement, whether due to fraud or error.

Professional standards, independence and competence

We undertook limited assurance on selected material performance indicators in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000 (Revised)) for FHL ESG integration and engagement via EOS Stewardship. In accordance with ISAE 3000 (Revised), we reviewed the processes, systems and competencies used to compile the areas upon which we provide assurance. This involved identification and confirmation of FHL implementation processes re: S-ESG Integration and controls, using ISAE3000 & AA1000AS to assure the processes FHL used to identify, assess and tackle ESG issues arising from FHL's operations (including: determination of ESG criteria & evaluation [above theoretical statements/ policies], assessment of the value of FHL's processes to obtain accurate information relating to material topics, evaluation criteria, internal learning and applications, controls/ checks, oversight levels and escalation for non-performance [senior/ ultimately board level] & reviews leading to improvement).

As a regulated UK law firm specialising in social finance/ impact finance and as a ESG advisory boutique, we applied robust and reasoned analytical and due diligence methods. We complied with Prime Advocates' independence policies, which address and in certain cases exceed the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants in a role as independent auditors. Therefore, we are precluded (and prevent individuals with conflicts from partaking in preparation of this Report) from taking financial, commercial, governance and ownership positions which materially affect (or may be perceived to affect) the assurer's independence and impartiality. Prime Advocates has confirmed to the directors of FHL that it has maintained appropriate independence and objectivity throughout the preceding year (June 2021 – July 2022) and no prohibited services or activities impair Prime Advocates' independence and objectivity.

Prime Advocates' assurance report does not include testing of source data especially standardised 3rd party data providers' data (unless specifically identified as undertaken) or the operating effectiveness of processes and internal controls above the requirements for effective Prime Advocates ESG Assurance.

Our responsibility

In our role as an evaluator of the data provided to us by FHL, we are responsible for the evaluation of the subject matter against the criteria as devised by us. Based on a consideration of risks and materiality we have

undertaken procedures to seek to obtain sufficient appropriate evidence. The procedures selected depend solely on our judgment.

Our responsibility as an assurance practitioner is to independently express a limited assurance conclusion on the information disclosed and reported on the subject matter based on the procedures we have performed and the evidence we have obtained. In accordance with ISAE 3000 (Revised), we are responsible for planning and performing the engagement in a way that allows us to obtain limited assurance about whether the report is free from material misstatement.

In accordance with the engagement agreement, our duty of care for this engagement only extends to the Board of Directors of Federated Hermes Limited. The Board of Directors is the sole intended audience of this report and as such the information contained within it may not be relevant or useful for any other party.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that FHL's S-ESG Integration within its portfolio investment for public equity, public credit, real estate and infrastructure has not been prepared, in all material respects, in accordance with the identified applicable appropriate criteria. We are satisfied, subject to our limited reasonable assurance, that FHL **EXCEEDS** regulatory requirements and current best practice for S-ESG Integration.

Key findings

Whilst we were satisfied with the Firm's performance in the round, we identified the following areas of attainment and areas for improvement:

Areas of attainment/ excellence:

- FHL's holistic, adaptive and material ESG data-driven focused approach to S-ESG Integration, pervasively applied across all investments and strategy types. [All]
- Expert internal senior ESG expertise of the Responsibility Office applied across all asset classes to varying degrees. As such reinforced by cross-departmental collaboration to excellence via FHL's Responsibility Working Group. [All]
- Leverage of the market-leading EOS stewardship engagement service, adding information, active management, oversight controls and ESG issue engagement power. [All] Use of EOS engagement methodology for better engagement in FHL Infrastructure. [Infrastructure]
- FHL legacy and leading industry position. Utilisation of FHL's market-leading Public Policy/ Advocacy teams allows FHL to influence and innovate on ESG themes, progressing the market and assisting their portfolio's S-ESG Integration. [All]
- FHL attains best practice on the collection, management and disclosure of quantitative ESG data across its investments, leveraging experts and robust systems. [Real Estate]
- FHL outperformed best practice on the conceptual scoping of ESG integration with progressive and best practice Net Zero, biodiversity and deforestation, project embodied carbon and "placemaking" community engagement commitments. [Real Estate]

Areas for improvement:

- Further added quantitative ESG metric measures matching FHL's progressive ESG goals and actions relevant to portfolios (for increased accountability and optimisation) (e.g., SDG tool, biodiversity/ social/ social value impact tool, more building meters, water and waste and carbon scope 1, 2 and 3 verified data, property biodiversity commitment, deforestation attainment and other social values). [Equity/ Credit/ Real Estate/ Infrastructure]
- Application of a Transparency and Accountability Framework further to the Controversial Activities Policy implementation. [Equity / Credit]
- Bespoke data capture questionnaires and more frequent direct material ESG data points allowing for strategic S-ESG Integration management and reporting. [Real Estate/ Infrastructure]

* Operating via FHL subsidiary: Hermes Real Estate Investment Management Limited

**Operating via FHL affiliate and Federated Hermes Inc. subsidiary: Hermes GPE LLP

A handwritten signature in black ink, appearing to be 'Andrew Murray', written in a cursive style.

Lead Assurer
On behalf of **Prime Advocates Limited**